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U.S. Department of Justice



*United States Attorney
District of Hawaii*

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808/546-7170

August 30, 1984

PRESS RELEASE

A Federal Grand Jury sitting in Honolulu has today returned a second indictment arising out of an investigation of the activities of the firm of Bishop, Baldwin, Rewald, Dillingham and Wong, its officers, directors, employees, and consultants.

Dan Bent, United States Attorney for the District of Hawaii, said that the indictment charges Ronald Rewald with 100 counts of mail fraud, securities fraud, making false statements to the Securities and Exchange Commission and the Internal Revenue Service, perjury, falsely advertising Bishop, Baldwin accounts were insured by the Federal Deposit Insurance Corporation, failure to keep records prescribed by the Securities and Exchange Commission, interstate transportation of stolen securities or money, and violations of the federal income tax laws including tax evasion.

Mr. Bent said that the indictment charges that Rewald was Chairman of the Board, Vice-President, and Treasurer and 50 percent shareholder of Bishop, Baldwin, Rewald, Dillingham and Wong from its incorporation on October 11, 1978 until its collapse in August of 1983. In its 59-page indictment the Grand Jury charged that over a period of almost

five years, Bishop, Baldwin engaged in a scheme to defraud investors and succeeded in obtaining approximately \$22 million from over 400 investors in Hawaii, California, and elsewhere in the United States.

In connection with the scheme to defraud the Indictment charges that Mr. Rewald made the following misrepresentations concerning Bishop, Baldwin, Rewald, Dillingham and Wong:

1. That the firm had been in Hawaii for 20 years and that predecessor firms went back 65 years;
2. That the firm had global influence;
3. That the firm could not accommodate 90 percent of those who applied to be clients;
4. That the firm had a two-year waiting list of potential clients and investors;
5. That the firm dealt in "secured, safe, non-risk investments";
6. That the investment savings accounts had returned an average of 26 percent per year for the previous 20 years;
7. That the investment savings accounts were insured by the Federal Deposit Insurance Corporation.

The Indictment further charged that Mr. Rewald omitted to inform investors and potential investors of the following:

1. That Ronald Rewald had been charged and plead guilty in the State of Wisconsin with a petty theft offense involving franchises in 1976;

2. That Ronald Rewald had been adjudicated bankrupt in Wisconsin in 1976 and that of approximately \$22,000,000 taken in by the firm only approximately \$600,000 was ever invested.

The Indictment further charges that Ronald Rewald spent approximately \$5,500,000 of investor money for his own personal benefit. The Grand Jury charges that among the items which Mr. Rewald purchased with investor money were:

1. "Social and sexual intercourse" with women at a cost of \$270,000.

2. Expenses totalling \$256,000 in connection with the support of polo.

3. Expenses totalling \$264,000 in connection with the purchase and care of horses.

4. Expenses totalling \$719,000 in connection with the purchase of various residences.

5. Expenses totalling \$784,000 in connection with the purchase and lease of "ranches".

6. Expenses for the purchase of automobiles totalling \$467,000.

7. Expenses diverted from Bishop, Baldwin to sporting goods companies owned by Ronald Rewald totalled \$669,000.

The Grand Jury further charges that Ronald Rewald committed perjury when he stated under oath and in a declaration that the Central Intelligence Agency had directed the founding of Bishop, Baldwin, Rewald, Dillingham and Wong and had directed Mr. Rewald to make various misrepresentations concerning that firm. The Grand Jury also charged Mr. Rewald with perjury in connection with his statements under oath that the CIA directed Mr. Rewald to misrepresent that BBRD&W investments were insured by the Federal Deposit Insurance Corporation, that the CIA had supplied Mr. Rewald with college and law degrees from Marquette University and that the CIA had supplied money to BBRD&W which permitted the firm to give investors a high rate of return.

Further the Grand Jury charged Ronald Rewald with evading income tax. The indictment charged that he evaded tax on personal income for the following years in the following amounts:

| <u>Year</u> | <u>Tax Evaded</u> | <u>Personal Income on Which Tax was Evaded</u> |
|-------------|-------------------|--|
| 1979 | \$ 21,536.80 | \$111,790 |
| 1980 | \$209,407.98 | \$414,160 |
| 1981 | \$401,107.01 | \$621,112 |

If convicted Ronald Rewald faces a term of imprisonment exceeding his natural life and fines exceeding \$500,000.

Mr. Bent commended the extraordinary efforts of the Federal Bureau of Investigation and the Internal Revenue

Service in connection with this extremely complex and time-consuming investigation which has required interviewing hundreds of witnesses and examining hundreds of thousands of financial, bank and other records. Mr. Bent also commended the assistance of John F. Peyton, Jr., Assistant United States Attorney, Theodore S. Greenberg, Special Assistant United States Attorney, David L. Katz, and Jeffrey B. Setness, Special Attorneys, U.S. Department of Justice, for their work on this case.

Mr. Bent stated that the investigation by several federal law enforcement agencies is continuing.

THE GRAND JURY CHARGES:

COUNTS 1 THROUGH 39

INTRODUCTION

A. At times material to this Indictment:

1. Bishop, Baldwin, Rewald, Dillingham and Wong, Inc., (BBRD&W) was incorporated in Hawaii on October 11, 1978.

2. The defendant RONALD REWALD was the co-founder of BBRD&W, owned 50% of its stock, and was Director and Chairman of the Board of Directors, Vice-President and Treasurer of BBRD&W.

3. BBRD&W was registered as an Investment Advisor with the United States Securities and Exchange Commission.

THE SCHEME TO DEFRAUD

B. Beginning on or about October 11, 1978, and continuing thereafter up to and including July 29, 1983, within the District of Hawaii and elsewhere, the defendant, RONALD REWALD and others, did devise, and intend to devise, a scheme and artifice to defraud and to obtain money and property by, among other things, inducing members of the public to invest and reinvest in BBRD&W, and diverting money for their own personal gain and use to the detriment of the investors, all by means of false and fraudulent pretenses, representations and promises, and omissions of material facts well knowing at the time that the pretenses, representations and promises would be and were false when made to investors and potential investors, each and all of whom were members of and constituted a class of persons to whom the defendant, RONALD

1 REWALD, for the purpose of executing such scheme and artifice to
2 defraud, and attempting so to do, knowingly caused BBRD&W litera-
3 ture and correspondence to be placed in an authorized depository
4 for mail matter, to be sent and delivered by the United States
5 Postal Service to investors and potential investors all in the
6 following manner:

7 The Illusory Corporate Image

8 1. It was part of the scheme and artifice to defraud
9 that in 1978 the defendant RONALD REWALD would and did associate
10 himself with Sunlin L. S. Wong, a Honolulu real estate broker, for
11 the purpose of using Wong's name and established Hawaii business
12 and reputation to attract residents of the State of Hawaii to place
13 money in BBRD&W.

14 2. It was further part of the scheme and artifice to
15 defraud that the defendant RONALD REWALD would and did use the
16 names of some of the most prominent families in Hawaii in the
17 corporation's name, that is, "Bishop", "Baldwin" and "Dillingham,"
18 in order to create the false impression that these families were
19 associated with BBRD&W and to reinforce his false assertion that
20 BBRD&W was "one of Hawaii's oldest and largest privately held
21 international investment and consulting firms . . . [w]ith prede-
22 cessor firms going back 65 years"

23 3. It was further part of the scheme and artifice to
24 defraud that the defendant RONALD REWALD and others leased space at
25 the Grosvenor Center, Honolulu, Hawaii, and furnished it in a
26 manner designed to give the appearance that there was an ongoing

1 successful investment and consulting business, when in truth and in
2 fact it was not.

3 4. It was further part of the scheme and artifice to
4 defraud that the defendant RONALD REWALD and others would and did
5 arrange the office space at BBRD&W to give the appearance of an
6 active, efficient and competent investment and consulting firm.

7 5. In furtherance of the scheme to defraud RONALD REWALD
8 caused BBRD&W to lease half the 26th floor of the Grosvenor Center.
9 BBRD&W utilized only a portion of that space. The remaining part
10 was sublet to professionals and others unrelated to BBRD&W. This
11 was intended to and did give the appearance that these tenants,
12 including the Vice Consul of Indonesia, were BBRD&W employees.

13 6. It was further part of the scheme and artifice to
14 defraud that the defendant RONALD REWALD hired individuals who did
15 not possess the necessary experience and expertise for the
16 positions for which they were employed.

17 7. It was further a part of the scheme and artifice to
18 defraud that the defendant RONALD REWALD would and did inten-
19 tionally and continuously fail to provide such BBRD&W employees
20 with information essential to the performance of their jobs and
21 assignments.

22 Misrepresentations

23 8. It was a further part of the scheme and artifice to
24 defraud that the defendant RONALD REWALD and others, in order to
25 induce investors and potential investors to invest and reinvest in
26 BBRD&W and to obtain money and property from said investors and to

1 lull the investors into a false sense of security as to the merits
2 and value of their investments, would and did, through promotional
3 literature and conversation make false and misleading representa-
4 tions of material facts to the investors and potential investors,
5 well knowing at the time that said representations would be and
6 were false and misleading when made.

7 9. The promotional literature and conversations
8 containing the misrepresentations delivered or made to investors
9 and potential investors by the Defendant and BBRD&W employees and
10 consultants included, but were not limited to the following:

11 a. The April 18, 1983 Hawaii Chamber of Commerce,
12 Voice of Business article;

13 b. Letters sent to investors to acknowledge
14 receipt of investment money and to report quarterly and year-end
15 "earnings";

16 c. Promotional material entitled "Client
17 Accounts";

18 d. Promotional material entitled, "Bishop,
19 Baldwin, Rewald, Dillingham & Wong, Investment Savings Account
20 Insurance Coverage"; and

21 e. Promotional material in the BBRD&W brochures
22 including a large brochure entitled "Direction".

23 10. The representations included, but were not limited
24 to, the following:

25 a. Misrepresentations Concerning BBRD&W

26 (1) That BBRD&W had been in Hawaii for twenty
years; and that predecessor firms to BBRD&W went back sixty-five
years;

1 (2) That BBRD&W was one of Hawaii's oldest and
2 largest privately held international investment and consulting
3 firms;

4 (3) That BBRD&W had global influence;

5 (4) That BBRD&W served as a business consul-
6 tant to numerous corporations and government agencies;

7 (5) That BBRD&W had a staff of attorneys;
8 accountants and consultants who provided all of the following
9 services "expertly crafted and honed to fit the clients most
10 exacting needs":

| | |
|------------------------------------|----------------------------------|
| 11 "Acquisition and Mergers | Discounted Cash Flow Analysis |
| Feasibility Studies | Creative Real Estate Financing |
| 12 Corporate Planning and Control | Real Estate Cost Projections and |
| Budget Forecasts | Exchanges |
| Cost Cutting | Individual Tax Counseling |
| 13 Business Lay-Out and Traffic | Civil and Criminal Tax |
| Flows | Procedures |
| 14 Marketing and Sales | Counseling For I.R.S. Audits |
| Financial Management | Tax Sheltering |
| 15 Organizational and Personnel | Income Deferrals |
| Decisions | Corporate Law |
| 16 Profit Turnarounds | Professional and General |
| Interim Management and | Corporations |
| 17 Administration | Contracts |
| Small & Large Business Loan | Business Financing |
| 18 Assistance | Securities |
| Bank Services | Anti-Trust Counseling |
| 19 Psychiatric Evaluation of | Estate Coordination |
| Complete Real Estate Services | Deferred Compensation |
| 20 Land Acquisitions | Profit Sharing Plans |
| Sub-Division Planning | Funding Plans |
| 21 Condominium Developments | Erisa Counseling |
| Hotel and Condominium | Partnerships |
| 22 Conversions | Accounting |
| Hotel Acquisitions | Wills and Trusts Agreements |
| 23 Time Share Projects | Savings |
| Consolidation of Properties | Structured Bailouts |
| 24 for Development | Liability Litigation |
| Business, Commercial, Industrial | Malpractice Counseling and |
| 25 Sales & Service | Construction Litigation |
| Property Management | Sub-Contractor Contracts |
| 26 Real Estate Investment Analysis | Liens |
| | All General Investment |
| | Counseling". |

1 (6) The defendant RONALD REWALD was an attor-
2 ney, experienced and highly successful investment counselor and
3 international financier;

4 (7) The investors and potential investors,
5 especially those who were retired or suffering from illnesses or
6 personal tragedy, could completely trust the defendant RONALD
7 REWALD and BBRD&W employees to manage those clients' financial and
8 legal affairs;

9 (8) Potential investors of BBRD&W were being
10 granted a special privilege by being permitted to invest their
11 money with BBRD&W because their investments were below the minimum
12 amount of money usually accepted by BBRD&W;

13 (9) That BBRD&W could not accommodate 90% of
14 those who applied to become clients;

15 (10) That that was a two-year waiting list of
16 potential clients and investors for BBRD&W;

17 (11) That BBRD&W used clients' money to make
18 prudent investments and loans;

19 (12) That BBRD&W earned money through short
20 term, high yield investments and loans, averaging from four-six
21 months;

22 (13) That BBRD&W's loans were made for a
23 maximum of eighteen months;

24 (14) That the average return on a BBRD&W four
25 or six month investment was from 12% to 14% of the funds loaned;

26

1 (15) That the annual return on BBRD&W loans to
2 others was derived by "turning over the funds" at least twice per
3 year;

4 (16) That BBRD&W's high yield investments were
5 in real estate, oil, shopping centers, acquisition of banks, and in
6 a "foreign pool for investments."

7 (17) That BBRD&W was a financially ultra-
8 conservative firm;

9 (18) That BBRD&W only dealt in "secured, safe,
10 non-risk investments";

11 (19) That investment security was BBRD&W's
12 first and only consideration and, therefore, clients were not
13 "subject to speculative, marginal or non-secured investments";

14 (20) That the accounting firm of Price
15 Waterhouse performed audits of BBRD&W;

16 (21) That BBRD&W was "negotiating the purchase
17 of a sizable [sic] bank in Honolulu" and had "just acquired Pacific
18 Finance here in Hawaii";

19 a. Misrepresentations Concerning The
20 Investment Savings Account

21 (1) That BBRD&W's "tax deferred savings
22 accounts", also called "Investment Savings Accounts", had been
23 available since Hawaii's "territorial days";

24 (2) That the "Investment Savings Accounts"
25 were guaranteed to return 20% on the amount invested:

26 (3) That in addition to the 20% guaranteed
dividend paid each quarter, at the end of each year an additional

1 amount would be paid, usually 5% to 7%, which represented "actual
2 earned income on the investment account;

3 (4) That the "Investment Savings Accounts" had
4 returned an average of 26% per year for the previous 20 years;

5 (5) That the "Investment Savings Accounts" had
6 special tax advantages; that is, if the interest earned on the
7 account was not taken out of BBRD&W the investor would not have to
8 pay federal income taxes on that interest earned;

9 (6) That the "Investment Savings Accounts"
10 were "insured subject to liquidity requirements established by the
11 Federal Securities and Exchange Commission (SEC);

12 (7) That the "Investment Savings Accounts"
13 were "insured by the Federal Deposit Insurance Corporation (FDIC)
14 to a limit per account of \$150,000";

15 Omissions

16 11. It was a further part of the scheme and artifice to
17 defraud that the defendant RONALD REWALD and others, to induce
18 investors to invest and reinvest in BBRD&W, and to obtain money and
19 property from said investors and potential investors, would and did
20 conceal and omit to state material facts which were necessary to
21 prevent the statements from being misleading, in light of the
22 circumstances under which they were made, including but not limited
23 to the following:
24
25
26

1 (a) That the defendant RONALD REWALD had been
2 charged and pled guilty to a State of Wisconsin petty theft charge
3 involving franchises in 1976;

4 (b) That the defendant RONALD REWALD was
5 adjudicated bankrupt by the United States District Court for the
6 Eastern District of Wisconsin in 1976;

7 (c) That an investment in BBRD&W was at all times
8 risky and speculative in nature;

9 (d) That the investors' money was used primarily to
10 pay office expenses, for the personal benefit of Ronald Rewald, and
11 for making lulling payments to investors;

12 (e) That only approximately six hundred
13 twenty-three thousand dollars (\$623,000), of the approximately
14 twenty two million dollars (\$22,000,000) taken in by BBRD&W, was
15 used for investments;

16 (f) That the defendant RONALD REWALD did not take
17 reasonable precautions such as establishing and executing records
18 and documentation to protect the money placed in BBRD&W by
19 investors;

20 (g) That BBRD&W did not exist before
21 October 11, 1978;

22 (h) That predecessor firms to BBRD&W did not go
23 back sixty-five years;

24 (i) That BBRD&W had not been in Hawaii for twenty
25 years;

26 (j) That the kamaaina families by the names of
"Bishop," "Baldwin" and "Dillingham" were never associated with
BBRD&W;

1 (k) That BBRD&W did not have a reputation for
2 expertise in the areas of international finance and banking;

3 (l) That there was no waiting list of potential
4 clients;

5 (m) That virtually no person wishing to invest in
6 BBRD&W was refused the opportunity to invest;

7 (n) That the majority of BBRD&W clients were not
8 foreign nationals wishing to do business in or migrate to the
9 United States;

10 (o) That BBRD&W was not equipped to provide the
11 services "expertly crafted and honed to fit the clients most
12 exacting needs" referred to in paragraph a.(5) on page 6, which is
13 incorporated by reference herein as if set forth in full;

14 (p) That the very few investments made by BBRD&W
15 were speculative;

16 (q) That BBRD&W's "Investment Savings Accounts" had
17 not been available since Hawaii "territorial days";

18 (r) That BBRD&W could not fulfill their guarantee
19 of 20% return on money invested in the "Investment Savings
20 Account";

21 (s) That BBRD&W's "Investment Savings Accounts" had
22 no tax advantages;

23 (t) That federal income taxes would have to be paid
24 on any interest earned on the "Investment Savings Accounts";

25 (u) That the earnings reported to the investors on
26 the BBRD&W Quarterly Reports was fictitious;

1 (v) That no "Investment Savings Account" earned
2 interest;

3 (w) That there were no "liquidity requirements" of
4 any type imposed by the United States Securities and Exchange
5 Commission on the "Investment Savings Accounts";

6 (x) That the Federal Deposit Insurance Corporation
7 never insured the "Investment Savings Accounts" of BBRD&W;

8 (y) That the FDIC advised the defendant RONALD
9 REWALD on or about June 20, 1983 that his statements regarding
10 \$150,000 FDIC insurance on the Investment Savings Accounts was a
11 "false representation"; and that the defendant RONALD REWALD was
12 told by the FDIC to advise all of his clients, as well as members
13 of the public about his false statements;

14 (z) That an investor's money was available for
15 withdrawal from BBRD&W only because BBRD&W would take money invest-
16 ed by others and give it to the investor requesting payment;

17 (aa) That the representations made in BBRD&W's
18 promotional literature had no reasonable basis in fact;

19 (bb) That RONALD REWALD supplied the text of the
20 April 18, 1983 Hawaii Chamber of Commerce, Voice of Business
21 article;

22 (cc) That the accounting firm of Price Waterhouse
23 never audited BBRD&W;

24 (dd) Omissions of similar purport and object.
25
26

Lulling Letters

1
2 12. It was further part of the scheme and artifice to
3 defraud and for the purpose of lulling the investors and potential
4 investors defrauded and intended to be defrauded into a false sense
5 of security regarding the 20 percent interest they had been guaran-
6 teed on the "Investment Savings Accounts", the defendant RONALD
7 REWALD and others would and did send or caused to be sent by the
8 United States mail, quarterly statements to the investors that
9 showed that their accounts had "earnings" in the amount of 20
10 percent; when in truth and in fact, as the defendant RONALD REWALD
11 well knew at the time, virtually no earnings had been obtained by
12 BBRD&W from the monies invested by the investors.

13 13. It was further part of the scheme and artifice to
14 defraud and for the purpose of lulling the investors and potential
15 investors defrauded and intended to be defrauded into a false sense
16 of security regarding the additional five to seven percent which
17 was not guaranteed, but which BBRD&W claimed to have been paying
18 for two decades on the "Investment Savings Accounts", the defendant
19 RONALD REWALD and others would and did send or caused to be sent by
20 the United States mail, statements at the end of each year to the
21 investors showing that their accounts had earnings in amounts
22 approximating 6 percent in addition to the 20 percent that had been
23 paid on the accounts throughout the year; when in truth and in
24 fact, virtually no earnings had been obtained by BBRD&W from the
25 money invested by the investors.
26

1 14. It was further part of the scheme and artifice to
2 defraud that the defendant RONALD REWALD, for the purpose of
3 lulling the investors and potential investors defrauded and
4 intended to be defrauded into a false sense of security, would and
5 did send or caused to be sent to investors through the United
6 States mail numerous items, including announcements of new
7 associates and consultants employed by BBRD&W, and items identified
8 as "1982 Spring Update", "1982 Summer Update", "1982 Fall Update",
9 "Special Report", "First Quarter Report", "Second Quarter Report"
10 and "Third Quarter Report."

11 15. It was further part of the scheme and artifice to
12 defraud that the defendant RONALD REWALD, for the purpose of
13 lulling the investors and potential investors defrauded and
14 intended to be defrauded into a false sense of security would and
15 did cause to be sent to investors through the United States mail a
16 letter dated April 23, 1982, announcing the death "of Grant Randall
17 Dillingham, a senior partner in Bishop, Baldwin, Rewald, Dillingham
18 and Wong", when in truth and in fact, as defendant RONALD REWALD
19 well knew, there was no such person as Dillingham associated with
20 BBRD&W.

21 16. It was further part of the scheme and artifice to
22 defraud that the defendant RONALD REWALD for the purpose of lulling
23 the investors and potential investors into a false sense of
24 security, would and did send or caused to be sent to investors
25 through the United States mail the following letter and article
26 from the Chamber of Commerce of Hawaii, Voice of Business, dated
April 18, 1983.

Bishop, Baldwin, Rewald, Dillingham & Wong

April 21, 1983

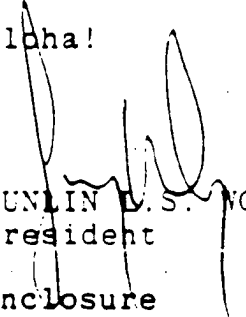
Dear Client:

This week, Bishop, Baldwin, Rewald, Dillingham & Wong was chosen for a special Chamber Spotlight article through its publication, "The Voice of Business." This publication is put out by the Hawaii Chamber of Commerce and in its last issue, featured a short article on our firm.

I have included a copy of that article with the hope that you might find it of interest. We have had many requests in recent months for copies of various articles appearing about Bishop, Baldwin, Rewald, Dillingham & Wong in newspapers, magazines and trade publications. We hope to pass on copies of some of these articles during the coming year, in the hopes that it might serve to further inform our clients of projects and areas we are currently doing business.

I look forward to keeping in contact with you during 1983 and I sincerely hope you find this information of interest.

Aloha!



SUN LIN P. S. WONG
President

Enclosure

CH
The
Chamber of
Commerce of
Hawaii Established 1850

Voice of Business

Vol. 24, No. 13

April 18, 1983

THE VOICE OF BUSINESS, Page 5, April 18, 1983

CHAMBER SPOTLIGHT

**Bishop, Baldwin
Rewald, Dillingham
& Wong**



Ronald Rewald has a two-year backlog of clients with an average worth of \$4 million each.

Few Hawaii-based businesses are as international in scope or as influential in their daily business dealings as Bishop, Baldwin, Rewald, Dillingham & Wong. Officially billed as a multi-national consulting firm, Bishop, Baldwin has been in Hawaii for more than two decades parlaying its business and financial acumen into a network of offices and consultants with global resources and influence.

Today, the attorneys, accountants, consultants and staff of Bishop, Baldwin can be found in offices in London, Paris, Stockholm, Napa, San Francisco, Los Angeles, Tahiti, New Zealand, Australia, Jakarta, Singapore, Taipei, Hong Kong, and Guam. The company serves clients and governments ranging from the U.S. Senate and the White House to ex-Presidents, international business financiers and Saudi Arabian princes. Ronald R. Rewald serves as Chairman of the Board and with the direction of its President, Sunlin Wong, consults and advises numerous clients in areas of finance and management.

Bishop, Baldwin has developed a reputation for expertise in the areas of international finance and banking. Its quarterly and special reports to clients often track world trends for gold, silver, oil, stocks, securities, real estate and other investment vehicles. Yet at the same time, the company maintains a steady flow of serving its clients' personal needs and estate planning and management advice.

The average Bishop, Baldwin client is worth \$4 million and there is currently a two year waiting list of potential clients. More than 90 percent of those who apply to become clients cannot be accommodated. The majority of Bishop, Baldwin clients in recent years have been foreign, wishing to do business or migrate to the United States.

Although the international consulting firm employs experts in the affairs of Asia, South America, Europe, the South Pacific and the Middle East, company headquarters remain in Hawaii, on the 26th floor of the Grosvenor Center. Bishop, Baldwin continues to make its home base in Honolulu and is bullish about Hawaii's economy and Hawaii as an international base for business and finance.

Examples of the company's pro-Hawaii stance can be found in the local investments it has made on its own behalf. These include investments in an automobile dealership (MotorCars Hawaii), and numerous individual business and corporations, the newest of which will be David Baldwin's project, a new tourist and kamaaina restaurant scheduled for completion later this year.

Much of what the firm does is not publicly known — and cannot be known because of the extreme confidentiality expected and received by clients. Yet, the company's continued global growth and influence demonstrates that Hawaii can serve as world headquarters for international operations of many sorts.

Investor Monies

1
2 17. It was a further part of the scheme and artifice to
3 defraud that the defendant RONALD REWALD and others would and did
4 obtain approximately twenty two million dollars (\$22,000,000)
5 principally from investors in Hawaii and California.

6 18. It was further part of the scheme and artifice to
7 defraud that the only money invested by BBRD&W was approximately
8 six hundred twenty three thousand dollars (\$623,000) of the twenty
9 two million dollars (\$22,000,000) obtained from investors.

10 19. It was a further part of the scheme and artifice to
11 defraud that the remaining funds, approximately twenty one million
12 three hundred seventy seven thousand dollars (\$21,377,000),
13 received from investors was not invested or spent in a manner
14 likely to produce income for the investors, but was used for the
15 following purposes:

16 (a) To maintain RONALD REWALD in an exceptionally
17 lavish lifestyle;

18 (b) To create and maintain a false facade of
19 legitimate investment activity by BBRD&W;

20 (c) To pay others, who together with the defendant
21 RONALD REWALD engaged in activities which gave the appearance of
22 substantial investment activity by BBRD&W, when in fact the actual
23 investment of investors money was virtually non-existent; and

24 (d) To pay money labeled as "earnings" to certain
25 investors to give the illusion that investments had been made which
26 produced earnings.

20. It was a further part of the scheme and artifice to
defraud that the defendant RONALD REWALD and others would and did

1 use the investor's money for their personal benefit and to cover
2 liabilities of BBRD&W and RONALD REWALD, without revealing to the
3 investors that virtually no investments had been made.

4 21. It was a further part of the scheme and artifice to
5 defraud that the defendant RONALD REWALD and others, for the
6 purpose of lulling the investors and potential investors defrauded
7 and intended to be defrauded, into a false sense of security, would
8 and did allow, from time to time, investors to withdraw what they
9 thought was their money, when in truth and fact BBRD&W gave the
10 investors money received from other investors.

11 22. It was a further part of the scheme and artifice to
12 defraud that the defendant RONALD REWALD and others, in order to
13 attract new investors, would and did encourage employees, investors
14 and potential investors to recommend BBRD&W to their friends.

15 Diversion of Investor Monies
16 For Rewald's Benefit

17 23. It was part of the scheme and artifice to defraud
18 that the defendant RONALD REWALD, by virtue of the power and
19 control he exercised over BBRD&W, failed to keep financial books
20 and records required by generally accepted accounting principles
21 and the Investment Advisors Act. The defendant RONALD REWALD, by
22 virtue of the power and control he exercised over BBRD&W, directed
23 that BBRD&W use checking accounts as the primary accounting record.

24 24. It was a further part of the scheme and artifice to
25 defraud that the defendant RONALD REWALD, by virtue of the power
26 and control he exercised over BBRD&W, directed and caused to be
made false and fraudulent entries on the checks and other records
of BBRD&W.

1 25. It was a further part of the scheme and artifice to
2 defraud that the defendant RONALD REWALD, by virtue of the power
3 and control he exercised over BBRD&W, did spend a total of
4 approximately \$5,578,000 of the money deposited by investors with
5 BBRD&W for his own personal benefit and expenses, by among other
6 methods, transferring money from BBRD&W bank accounts to his
7 personal bank accounts and paying for his personal expenses with
8 checks drawn on BBRD&W bank accounts;

9 (a) It was a further part of the scheme and
10 artifice to defraud that of the money deposited by investors with
11 BBRD&W, the defendant RONALD REWALD diverted and used for his own
12 personal benefit approximately \$270,000, which he paid to women who
13 engaged in social and sexual intercourse with the defendant REWALD.

14 (b) It was a further part of the scheme and
15 artifice to defraud that of the money deposited by investors with
16 BBRD&W, the defendant RONALD REWALD diverted and used for his own
17 personal benefit approximately \$256,000 to pay for expenses he
18 incurred or caused to be incurred in the sport of polo.

19 (c) It was a further part of the scheme and
20 artifice to defraud that of the money deposited by investors with
21 BBRD&W, the defendant RONALD REWALD diverted and used for his own
22 personal benefit approximately \$264,000 to purchase and care for
23 horses.

24 (d) It was a further part of the scheme and
25 artifice to defraud that of the money deposited by investors with
26 BBRD&W, the defendant RONALD REWALD diverted and used for his own

1 personal benefit approximately \$719,000 to purchase, repair and
2 maintain residences.

3 (e) It was a further part of the scheme and
4 artifice to defraud that of the money deposited by investors with
5 BBRD&W, the defendant RONALD REWALD diverted and used for his own
6 personal benefit approximately \$784,000 to pay for the purchase and
7 lease of ranches for his use.

8 (f) It was a further part of the scheme and
9 artifice to defraud that of the money deposited by investors with
10 BBRD&W, the defendant RONALD REWALD diverted and used for his own
11 personal benefit approximately \$467,000 to purchase automobiles
12 used for his personal purposes.

13 (g) It was a further part of the scheme and
14 artifice to defraud that of the money deposited by investors with
15 BBRD&W, the defendant RONALD REWALD diverted and used for his own
16 personal benefit approximately \$2,370,000 for a variety of
17 additional personal expenses.

18 (h) It was a further part of the scheme and
19 artifice to defraud that of the money deposited by investors with
20 BBRD&W, the defendant RONALD REWALD diverted and used for his own
21 personal benefit approximately \$669,000 for sporting goods
22 companies which the defendant REWALD controlled, and in which
23 BBRD&W had no interest of any type.

24 THE MAILINGS

25 C. On or about the dates set forth below, within the District
26 of Hawaii, the defendant RONALD REWALD, for the purpose of
executing the aforesaid scheme and artifice to defraud and
attempting to do so, knowingly and willfully placed and caused to

1 be placed in an authorized depository for mail matter, letters,
 2 receipts, promotional literature, reports, and memoranda to be sent
 3 and delivered by the United States Postal Service, according to the
 4 directions thereon, as follows:

| 5 | <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|----|--------------|-------------|---|--|
| 6 | 1 | 08/27/82 | Chester R. Owen 519 Taylor St., #159W Santa Maria, California 93454 | Letter from Ronald R. Rewald |
| 8 | 2 | 03/18/83 | Mr. Hugh F. Fraser c/o Hartford Life Insurance Co. 841 Bishop St. Honolulu, Hawaii 96813 | Letter from BBRD&W acknowl- eding receipt of investor funds |
| 12 | 3 | 09/17/82 | David L. Brown, DDS 46-439 Holokaa Street Kaneohe, Hawaii 96744 | Letter from Ronald R. Rewald |
| 14 | 4 | 06/30/83 | Ms. Karin M. Brown 46-439 Holokaa Street Kaneohe, Hawaii 96744 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 17 | 5 | 06/13/83 | Mr. Robert L. Eskridge Horizon's Inn, Inc. 796 Via Del Monte Palos Verdes Estates, California 90274 | Letter from BBRD&W acknowl- eding receipt of investor funds |
| 20 | 6 | 06/23/83 | Mr. & Mrs. Lawrence T. Eustace 3645 Nihipali Place Honolulu, Hawaii 96816 | Letters from BBRD&W acknowl- eding receipt of investor funds |
| 23 | 7 | 06/20/83 | Ms. Nanette P. Jacinto 591 Paikau Street Honolulu, Hawaii 96816 | Letter from BBRD&W acknowl- eding receipt of investor funds |
| 26 | 8 | 12/30/82 | Ms. Lynn Marie Viverius (sic) 619 Iliana Street Kailua, Hawaii 96734 | Letter from BBRD&W acknowl- eding receipt of investor funds |

| | <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|----|--------------|-------------|---|--|
| 1 | | | | |
| 2 | 9 | 02/02/83 | Russ or Martha L. Robertson 575 Paokano Loop Kailua, Hawaii 96734 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 3 | | | | |
| 4 | | | | |
| 5 | 10 | 06/23/83 | Rosey's Boat House Rosey Rosecrans 46-102 Kam Highway Kaneohe, Hawaii 96744 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 6 | | | | |
| 7 | | | | |
| 8 | 11 | 04/21/83 | Mr. Benjamin B. Cassiday, Jr. 5621 Kalaniana'ole Hwy. Honolulu, Hawaii 96821 | Letter from Sunlin L. S. Wong with Chamber of Commerce of Hawaii article attached |
| 9 | | | | |
| 10 | | | | |
| 11 | 12 | 07/20/82 | Images International of Hawaii, Inc. Special Account 1116 Pensacola Street Honolulu, Hawaii 96814 Attn: Lymin Koike | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | 13 | 01/26/83 | E. B. Kudlich, Inc. Trust Account 320 Ward Avenue, Suite 206 Honolulu, Hawaii 96814 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | 14 | 02/01/83 | Mr. Harnso Kunimune 1102 Kamahale Street Kailua, Hawaii 96734 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 20 | | | | |
| 21 | 15 | 12/01/83 | Lee Bliss Saltonstall 1750 Kalakaua Avenue Apartment #3-257 Honolulu, Hawaii 96826 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 22 | | | | |
| 23 | | | | |
| 24 | | | | |
| 25 | 16 | 06/30/83 | Gardell Simpson, Jr. 1015 Aolaa Place, #303 Kailua, Hawaii 96734 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 26 | | | | |

| | <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|----|--------------|-------------|--|---|
| 1 | | | | |
| 2 | 17 | 03/31/83 | Mrs. Teresa B. Black 68-677 Farrington Hwy. Waialua, Hawaii 96701 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 3 | | | | |
| 4 | | | | |
| 5 | 18 | 04/14/83 | Mr. Kim Mosier 2145 Mt. Olive Drive Santa Rosa, California 95404 | Letter from Ronald R. Rewald; BBRD&W "client account" document; "BBRD&W investment savings insurance coverage" document |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | | | | |
| 10 | 19 | 06/30/83 | Joseph L. and Madeline J. Sem 6710 Hawaii Kai Drive, Apt. 1514 Honolulu, Hawaii 96825 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 11 | | | | |
| 12 | | | | |
| 13 | 20 | 11/25/81 | Shinji and Fujiko Shiraishi 7228 Pulehu Street Honolulu, Hawaii 96825 | Letter from BBRD&W acknowledging receipt of investor funds |
| 14 | | | | |
| 15 | | | | |
| 16 | 21 | 11/19/81 | Helen S. & Roger A. Ancona 1645 Ala Wai Boulevard #104 Honolulu, Hawaii 96815 | Letter from BBRD&W acknowledging receipt of investor funds |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | 22 | 11/20/78 | North Star Investments P. O. Box 04433 Milwaukee, Wisconsin | Letter from BBRD&W acknowledging receipt of investor funds |
| 21 | | | | |
| 22 | | | | |
| 23 | 23 | 04/12/83 | Gerald B. Wong 6650 Hawaii Kai Drive Suite 106 Honolulu, Hawaii 96825 | Letter from BBRD&W acknowledging receipt of investor funds |
| 24 | | | | |
| 25 | | | | |
| 26 | | | | |

| | <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|----|--------------|-------------|---|--|
| 1 | | | | |
| 2 | 24 | 11/08/82 | George H. Seberg, M.D., Inc. Define Benefit Plan George Seberg, Trustee 6650 Hawaii Kai Drive #106, Honolulu Hawaii 96825 | Letter from BBRD&W acknowledging receipt of investor funds |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | 25 | 02/11/83 | Mary Lou McKenna 521 Hahaione St. #15H Honolulu, Hawaii 96825 | Letter from BBRD&W acknowledging receipt of investor funds |
| 7 | | | | |
| 8 | | | | |
| 9 | 26 | 11/05/81 | Mr. Daniel K. Sutton 1144 Makaiwa Street Honolulu, Hawaii 96816 | Letter from BBRD&W acknowledging receipt of investor funds |
| 10 | | | | |
| 11 | | | | |
| 12 | 27 | 09/30/82 | Mr. (sic) Lani K. Sutton 2065 Alaeloa Street Honolulu, Hawaii 96817 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 13 | | | | |
| 14 | | | | |
| 15 | 28 | 03/31/83 | G. Gautama Canterbury Place 1910 Ala Moana Boulevard, #910 Honolulu, Hawaii 96816 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 16 | | | | |
| 17 | | | | |
| 18 | 29 | 07/11/83 | Katsuye Tajiri & Mark Y. Tajiri Trustee for the Toshinori Res. Trust 1124 20th Avenue Honolulu, Hawaii 96816 | Special Report |
| 19 | | | | |
| 20 | | | | |
| 21 | | | | |
| 22 | 30 | 07/06/83 | Katsuye Tajiri & Mark Y. Tajiri Trustee for the Toshinori Res. Trust 1124 20th Avenue Honolulu, Hawaii 96816 | Special Report |
| 23 | | | | |
| 24 | | | | |
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| | <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|----|--------------|-------------|---|--|
| 1 | | | | |
| 2 | 31 | 03/07/83 | Ms. Katsuye Tajiri, Trustee for the Toshinori Res. Trust 1124 20th Avenue Honolulu, Hawaii 96816 | Special Report |
| 3 | | | | |
| 4 | | | | |
| 5 | 32 | 07/18/83 | Helen M. Brown 1765 Ala Moana Blvd., #1887 Honolulu, Hawaii 96815 | Letter from BBRD&W acknowledging receipt of investor funds |
| 6 | | | | |
| 7 | | | | |
| 8 | 33 | 09/17/81 | Dr. & Mrs. John Ebert 4 Lumahai Street Honolulu, Hawaii 96825 | Letter from Ronald R. Rewald |
| 9 | | | | |
| 10 | | | | |
| 11 | 34 | 12/06/82 | Mr. G. M. Flick Hilton Lagoon Apartments Apartment 8C 2003 Kalia Road Honolulu, Hawaii 96815 | Letter from BBRD&W acknowledging receipt of investor funds |
| 12 | | | | |
| 13 | | | | |
| 14 | 35 | 01/27/82 | Mr. & Mrs. Edward C. Hoffman 4 Kane Court Clarendon Hills, Illinois 60514 | Letter from Ronald R. Rewald |
| 15 | | | | |
| 16 | | | | |
| 17 | 36 | 03/01/83 | Freddy H. & Enid L. Echeverria 78-6800 Alii Drive Kailua-Kona, Hawaii 96740 | Bishop, Baldwin, Rewald, Dillingham & Wong Investment Savings Account Insurance Coverage |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| 21 | 37 | 11/16/82 | Clyde William and Virginia Campbell, Trustee P. O. Box 4262 Kailua-Kona, Hawaii 96740 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 22 | | | | |
| 23 | | | | |
| 24 | | | | |
| 25 | 38 | 12/31/82 | Arnold W. and Ione D. Braswell 301 Julian Avenue Hickam A.F.B. Hawaii 96818 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 26 | | | | |

| <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|--------------|-------------|---|--|
| 39 | 07/25/83 | Raymond J. Hufnagel, Jr. 1060 Kaumaka Street Honolulu, Hawaii 96825 | BBRD&W Investment Savings Account Quarterly Performance Report |

(All in violation of Title 18, United States Code,
Sections 1341 and 2.)

COUNTS 40 THROUGH 77

THE GRAND JURY FURTHER CHARGES:

THE SECURITIES FRAUD SCHEME TO DEFRAUD

A. All the paragraphs of Count One of this Indictment are hereby realleged and incorporated by reference as though set forth in full except Paragraph C on page 18, as constituting and describing a scheme and artifice which the defendant RONALD REWALD devised, and intended to devise, to defraud and to obtain money and property in connection with the sale and offer for sale of BBRD&W securities; namely the BBRD&W "Investment Savings Account" by means of false and fraudulent pretenses, representations and promises, well knowing at the time that the pretenses, representations and promises would be and were false when made, and by omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and engage in transactions, practices and a course of business which would and did operate as a fraud and deceit upon numerous investors and potential investors.

THE MAILINGS

B. On or about the dates set forth below, within the District of Hawaii, the defendant RONALD REWALD, in connection with

1 the sale and offer for sale of BBRD&W securities and for the
 2 purpose of executing the aforesaid scheme and artifice to defraud,
 3 and attempting so to do, knowingly and willfully placed and caused
 4 to be placed in an authorized depository for mail matter, letters,
 5 receipts, promotional literature, reports and memoranda, to be sent
 6 and delivered by the United States Postal Service, according to the
 7 directions thereon, the following:

| <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|--------------|-------------|--|--|
| 40 | 08/27/82 | Chester Owen 519 Taylor St., #159W Santa Maria, California 93454 | Letter from Ronald R. Rewald |
| 41 | 04/21/83 | Mr. Hugh F. Fraser c/o Hartford Life Insurance 841 Bishop Street Honolulu, Hawaii 96813 | Letter from Sunlin L. S. Wong with Chamber of Commerce of Hawaii article attached |
| 42 | 04/20/82 | Karin M. Brown 46-439 Holokaa Street Kaneohe, Hawaii 96744 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 43 | 08/19/82 | Nancy A. Petersen 1568 South 17th Street Milwaukee, Wisconsin 53204 | Letter from BBRD&W acknowl- edging receipt of investor funds |

| | <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|----|--------------|-------------|---|---|
| 1 | | | | |
| 2 | 44 | 04/07/83 | Gerald H. B. Wong, D.M.D. 6650 Hawaii Kai Drive Honolulu, Hawaii 96825 | Letter from Jacqueline Vos, BBRD&W employee, enclosing the following docu- ments: 1) BBRD&W "Client Account" document; 2) BBRD&W Investment Savings insurance coverage; 3) letter dated 12/13/82 from attorney Gerald N.Y.C. Lam to Mr. Ronald R. re corporate rollover accounts |
| 3 | | | | |
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| 11 | | | | |
| 12 | 45 | 06/20/83 | George H. Seberg, M.D. 6650 Hawaii Kai Drive, #106 Honolulu, Hawaii 96825 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 13 | | | | |
| 14 | | | | |
| 15 | 46 | 02/11/83 | Mary Lou McKenna 521 Hahaione Street, #15H Honolulu, Hawaii 96825 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 16 | | | | |
| 17 | | | | |
| 18 | 47 | 09/20/82 | Daniel K. Sutton 2065 Alaeloa Street Honolulu, Hawaii 96831 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 19 | | | | |
| 20 | | | | |
| 21 | 48 | 06/22/82 | Lani K. Sutton 2065 Alaeloa Street Honolulu, Hawaii 96821 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 22 | | | | |
| 23 | 49 | 03/31/83 | G. Gautama Canterbury Place 1910 Ala Moana Blvd. #910 Honolulu, Hawaii 96816 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 24 | | | | |
| 25 | | | | |
| 26 | | | | |

| | <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|----|--------------|-------------|--|--|
| 1 | | | | |
| 2 | 50 | 04/15/83 | Ms. Katsuye Tajiri, Trustee for the Toshinori Res. Trust 1124 20th Avenue Honolulu, Hawaii 96816 | Second Quarter Report - 1983 |
| 3 | | | | |
| 4 | | | | |
| 5 | 51 | 07/01/83 | Katsuye Tajiri and Mark Y. Tajiri Trustee for the Toshinori Res. Trust 1124 20th Avenue Honolulu, Hawaii 96816 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | 52 | 04/22/83 | Ms. Katsuye Tajiri, Trustee for the Toshinori Res. Trust 1124 20th Avenue Honolulu, Hawaii 96816 | Letter from Sunlin L. S. Wong with Chamber of Commerce of Hawaii article attached |
| 10 | | | | |
| 11 | | | | |
| 12 | | | | |
| 13 | 53 | 06/30/83 | Helen M. Brown 1765 Ala Moana Blvd. #1887 Honolulu, Hawaii 96815 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 14 | | | | |
| 15 | | | | |
| 16 | 54 | 05/13/83 | Mr. Robert L. Eskridge Growth Management Center 796 Via Del Monte Palos Verdes Estate, California 90724 | Letter from Ronald R. Rewald |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | 55 | 07/01/83 | Lawarence (sic) T. & Donna B. Eustace 3645 Nihipali Place Honolulu, Hawaii 96816 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 21 | | | | |
| 22 | | | | |
| 23 | 56 | 06/30/83 | Nanette P. Jacinto Sole Owner 591 Paikau Street Honolulu, Hawaii 96816 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 24 | | | | |
| 25 | | | | |
| 26 | 57 | 12/31/82 | Ms. Lynn Mari Vireiros 619 Iliaina Street Kailua, Hawaii 96734 | BBRD&W Investment Savings Account Year End Performance Report |

| | <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|----|--------------|-------------|---|--|
| 1 | | | | |
| 2 | 58 | 06/30/83 | Russ or Martha L. Robertson 575 Paokano Loop Kailua, Hawaii 96734 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 3 | | | | |
| 4 | | | | |
| 5 | 59 | 06/30/83 | Rosey's Boat House Rosey Rosecrans 46-102 Kam Highway Kaneohe, Hawaii 96744 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 6 | | | | |
| 7 | | | | |
| 8 | 60 | 11/30/82 | Mr. Benjamin B. Cassiday, Jr. 5621 Kalaniana'ole Hwy. Honolulu, Hawaii 96821 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 9 | | | | |
| 10 | | | | |
| 11 | 61 | 12/31/82 | Images International of Hawaii, Inc. 838 S. Beretania St., Suite 206 Attn: Lyman Koike Honolulu, Hawaii 96813 | BBRD&W Investment Savings Account Year End Performance Report |
| 12 | | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | 62 | 01/26/83 | E. B. Kudlich Inc., Trust Account 320 Ward Avenue, Suite 206 Honolulu, Hawaii 96814 | "Bishop, Baldwin, Rewald, Dillingham & Wong Investment Savings Account Insurance Coverage" document |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | 63 | 06/30/83 | Harry Haruso Kunimune 1102 Kamahele St. Kailua, Hawaii 96734 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 21 | | | | |
| 22 | | | | |
| 23 | 64 | 06/30/83 | Ms. Lee Bliss Saltonstall 1750 Kalakaua Avenue Honolulu, Hawaii 96826 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 24 | | | | |
| 25 | | | | |
| 26 | 65 | 06/30/83 | Gardell Simpson, Jr. 1015 Aoloa Place #303 Kailua, Hawaii 96734 | BBRD&W Investment Savings Account Quarterly Performance Report |

| | <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|----|--------------|-------------|--|--|
| 1 | | | | |
| 2 | 66 | 01/19/82 | Teresa B. Black 68-677 Farrington Hwy. Waialua, Hawaii 96791 | Letter from BBRD&W acknowl- edging receipt of investor funds |
| 3 | | | | |
| 4 | 67 | 07/22/83 | Kimberly W. & Joanne P. Mosier 2145 Mt. Olive Drive Santa Rosa, California 95404 | Letter from Ronald R. Rewald |
| 5 | | | | |
| 6 | | | | |
| 7 | 68 | 01/20/82 | Joseph L. and Madeline J. Sem 4300 Waialae Avenue Honolulu, Hawaii 96816 | Letter from BBRD&W acknowledging receipt of investor funds |
| 8 | | | | |
| 9 | | | | |
| 10 | | | | |
| 11 | 69 | 11/30/81 | Shinji and Fujiko Shiraishi 7228 Pulehu Street Honolulu, Hawaii 96825 | Letter from BBRD&W acknowledging receipt of investor funds |
| 12 | | | | |
| 13 | | | | |
| 14 | 70 | 06/30/83 | Helen S. and Roger A. Ancona 1645 Ala Wai Boulevard #104 Honolulu, Hawaii 96815 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 15 | | | | |
| 16 | | | | |
| 17 | 71 | 07/01/82 | Dr. & Mrs. John Ebert 4 Lumahai Street Honolulu, Hawaii 96825 | Letter from Ronald R. Rewald |
| 18 | | | | |
| 19 | | | | |
| 20 | 72 | 06/30/83 | Dr. G. M. Flick Hilton Lagoon Apts. #8-C 203 Kalia Road Honolulu, Hawaii 96815 | BBRD&W Investment Savings Account Quarterly Performance Report |
| 21 | | | | |
| 22 | | | | |
| 23 | 73 | 12/14/81 | Mr. Ed Hoffman 4 Kane Court Clarendon Hills, Illinois 60514 | Letter from Ronald R. Rewald |
| 24 | | | | |
| 25 | 74 | 03/03/83 | Mr. & Mrs. Freddy H. Echiverria 78-6800 Alii Drive Kailua-Kona, Hawaii 96740 | Pacific Business News article dated February 28, 1983 |
| 26 | | | | |

| | <u>COUNT</u> | <u>DATE</u> | <u>ADDRESSEE</u> | <u>ITEM(S) MAILED</u> |
|----|--------------|-------------|--|--|
| 1 | | | | |
| 2 | 75 | 11/16/82 | Clyde William and Virginia Campbell, Trustee | Bishop, Baldwin, Rewald, Dillingham & Wong Investment |
| 3 | | | P. O. Box 4262 | Savings Account |
| 4 | | | Kailua-Kona, HI 96740 | Insurance Coverage |
| 5 | | | | |
| 6 | 76 | 04/21/83 | Arnold W. and Ione D. Braswell | Letter from Sunlin L. S. Wong |
| 7 | | | 301 Julian Avenue | with Chamber of |
| 8 | | | Hickam A.F.B. | Commerce of |
| | | | Hawaii 96818 | Hawaii article attached |
| 9 | 77 | 03/31/83 | Raymond J. Hufnagel, Jr. | BBRD&W Investment |
| 10 | | | 1060 Kaumoku Street | Savings Account |
| 11 | | | Honolulu, | Quarterly |
| | | | Hawaii 96825 | Performance Report |

(All in violation of Title 15, United States Code,
Sections 77(q) (a) and 77(x) and Title 18, United States Code,
Section 2.)

COUNT 78

THE GRAND JURY FURTHER CHARGES:

On or about May 13, 1983, the defendant RONALD REWALD
knowingly and willfully transported and caused to be transported in
interstate commerce from California to the District of Hawaii,
securities and money of the value of \$90,000 knowing the same to
have been converted and taken by fraud.

(All in violation of Title 18, United States Code,
Sections 2314 and 2.)

COUNT 79

THE GRAND JURY FURTHER CHARGES:

On or about January 22, 1982, the defendant RONALD REWALD
knowingly and willfully transported and caused to be transported in

1 interstate commerce from Illinois to the District of Hawaii,
2 securities and money of the value of \$25,000 knowing the same to
3 have been converted and taken by fraud.

4 (All in violation of Title 18, United States Code,
5 Sections 2314 and 2.)

6 COUNT 80

7 THE GRAND JURY FURTHER CHARGES:

8 On or about December 1, 1981, the defendant RONALD REWALD
9 knowingly and willfully transported and caused to be transported in
10 interstate commerce from Wisconsin to the District of Hawaii,
11 securities and money of the value of \$202,771.94 knowing the same
12 to have been converted and taken by fraud.

13 (All in violation of Title 18, United States Code,
14 Sections 2314 and 2.)

15 COUNT 81

16 THE GRAND JURY FURTHER CHARGES:

17 1. Beginning on or about October 11, 1978, and
18 continuing until on or about August, 1983, within the District of
19 Hawaii, defendant RONALD REWALD caused BBRD&W, an investment
20 advisor, knowingly and willfully to employ a scheme and various
21 devices to defraud its clients and prospective clients and to
22 engage in transactions, practices and courses of business which
23 operated as a fraud and deceit upon its clients, in violation of
24 the Investment Advisors Act of 1940, Title 15, United States Code,
25 Sections 80b-6 and 80b-17.
26

1 2. The Grand Jury incorporates by reference, paragraphs
2 A and B of Counts 1 through 39 of this Indictment as though the
3 same were fully set forth herein.

4 3. On or about September 15, 1982, within the District
5 of Hawaii, the defendant RONALD REWALD caused BBRD&W knowingly and
6 willfully to use the United States Mails, both directly and
7 indirectly for the purpose of carrying out the fraudulent and
8 deceptive scheme, devices, transactions, practices and courses of
9 business described above, by causing BBRD&W to mail a letter dated
10 September 15, 1982, to Mr. Daniel Sutton, 2065 Alaeloa Street,
11 Honolulu, Hawaii, 96821.

12 (All in violation of Title 15, United States Code,
13 Sections 80b-6 and 80b-17 and Title 18, United States Code, Section
14 2.)

15 COUNT 82

16 THE GRAND JURY FURTHER CHARGES:

17 1. Paragraph 1 of Count 81 of this Indictment is hereby
18 incorporated by reference.

19 2. In order to regulate the sale of securities, the
20 SEC, in the public interest and for the protection of investors,
21 requires investment advisors to maintain certain books, records and
22 reports which are subject at any time to examinations by represen-
23 tatives of the SEC.

24 3. In Title 17, Code of Federal Regulations, Section
25 275.204-2, the SEC requires every investment advisor who makes use
26 of the mails or other instrumentalities of interstate commerce in
connection to his or its investment advisor business, to keep,

1 among others, the following records: journals (including cash
2 receipts and disbursements); general and auxiliary ledgers
3 reflecting asset, liability reserve, capital, income and expense
4 accounts; and all trial balances, financial statements and internal
5 audit working papers.

6 4. From on or about October 11, 1978 to on or about
7 August 1, 1983, in the District of Hawaii, defendant RONALD REWALD,
8 in his capacity as Chairman of the Board and Vice-President of
9 BBRD&W, a registered investment advisor under the Investment
10 Advisor Act of 1940, made use of the mails and other means and
11 instrumentalities of interstate commerce in connection with the
12 business of BBRD&W as an investment advisor, and failed to make and
13 keep for proscribed periods such records prescribed as necessary
14 and appropriate in the public interest and for the protection of
15 investors by the SEC, to wit: journals; general and auxiliary
16 ledgers; and trial balances, financial statements and internal
17 audit working papers related to the investment business of BBRD&W.

18 (All in violation of Title 15, United States Code,
19 Sections 80b-4 and 80b-17 and Title 18, United States Code, Section
20 2.)

21 COUNT 83

22 THE GRAND JURY FURTHER CHARGES:

23 1. On or about June 20, 1983, the defendant RONALD
24 REWALD was notified by Roger A. Hood, Assistant General Counsel of
25 the Federal Deposit Insurance Corporation (FDIC), that (a) a BBRD&W
26 brochure provided to clients and prospective clients of BBRD&W
stating that the BBRD&W Investment Savings Accounts "are insured

1 the FDIC to a limit per account of \$150,000" was a "false represen-
2 tation;" (b) that such representation may constitute a violation of
3 criminal laws of the United States; and (c) the FDIC would delay
4 further action on the matter until July 1, 1983 in order to receive
5 a response by BBRD&W to Mr. Hood's letter.

6 2. On or about June 28, 1983, in the District of Hawaii
7 and elsewhere, in a matter within the jurisdiction of an agency of
8 the United States, to wit: the FDIC, the defendant RONALD R. REWALD
9 knowingly and willfully did make a false, fictitious and fraudulent
10 statement and representation as to a material fact, by submitting
11 or causing to be submitted to the FDIC a letter in which the
12 defendant REWALD stated or caused to be stated that:

13 (a) The preparation and distribution of the BBRD&W
14 brochure containing information regarding the FDIC referred to in
15 Paragraph 1 above was "wholly unauthorized by [BBRD&W] and that the
16 persons responsible have been either dismissed or severely
17 reprimanded"; when in truth and in fact, as the defendant RONALD
18 REWALD well knew, he personally authorized the preparation and
19 distribution of the brochure; and additionally did so subsequent to
20 June 20, 1983.

21 (b) "Some new BBRD&W employees, in an effort to
22 attract new clients in the past few months . . . may have possibly
23 made representations that were unauthorized, misleading and
24 inaccurate"; when in truth and in fact, as defendant RONALD REWALD
25 well knew, he had been making and had authorized other BBRD&W
26 employees to make these misleading and inaccurate statements for a
substantial period of time;

1 (c) "The Investment Savings Account has never
2 represented any type of income or profit" for BBRD&W; when in truth
3 and in fact, as defendant RONALD REWALD well knew, the Investment
4 Savings Account represented virtually all of BBRD&W's income, and
5 that BBRD&W never made a profit;

6 (d) It was never the intention of BBRD&W to attract
7 clients for the firm through the use of the Investment Savings
8 Accounts; when in truth and in fact, as defendant RONALD REWALD
9 well knew, these accounts represented virtually the sole means of
10 attracting clients to the firm.

11 (All in violation of Title 18, United States Code,
12 Sections 1001 and 2).

13 COUNT 84

14 THE GRAND JURY FURTHER CHARGES:

15 1. The Securities and Exchange Commission (SEC) is an
16 independent, quasi-judicial regulatory agency of the United States
17 of America responsible for providing protection for investors and
18 the public in their securities transactions by administering laws
19 relating to the field of securities and finance.

20 2. The Investment Advisors Act of 1940 (the Act), which
21 regulates investment advisors, requires, with certain exceptions,
22 that persons or firms who engage for compensation in the business
23 of advising others about their securities transactions shall
24 register with the SEC and conform their activities to statutory
25 standards designed to protect the interests of investors.
26 Registration as an investment advisor is not automatic and may be
denied by the SEC if certain disqualifications exist, such as

1 conviction for certain financial crimes or securities violations
2 and other willful violations of the Act. SEC application forms for
3 Investment Advisors contain a certification, by the applicant that
4 any unamended Items and Schedules remain true, correct and
5 complete.

6 3. On or about September 23, 1976, the defendant RONALD
7 REWALD caused to be filed with the Securities and Exchange
8 Commission (SEC) an Application for Registration as an Investment
9 Advisor, Form ADV-Schedule D, which stated that RONALD REWALD
10 graduated from Marquette University in Milwaukee, Wisconsin, in
11 1966, and that he had not been convicted in the past ten years of a
12 crime involving, among others, fraudulent conversion or
13 misappropriation of funds.

14 4. On or about March 18, 1980, the defendant RONALD
15 REWALD caused to be submitted to the SEC an Amended Application for
16 Registration under the Investment Advisor's Act, Form ADV, in which
17 he represented that that all statements made in previously filed
18 Applications for Registration remained true, correct and complete;
19 and that CMI Corporation (through which he had previously
20 registered as an investment advisor in 1976) had changed its name
21 to BBRD&W.

22 5. On or about January 5, 1983, in the District of
23 Hawaii, in a matter within the jurisdiction of an agency of the
24 United States, to wit: the SEC, the defendant RONALD REWALD did
25 knowingly and willfully:
26

1 a. make a false, fictitious and fraudulent
2 statement and representation as to a material fact by submitting
3 and causing to be submitted to the SEC an Amended Application for
4 Registration as an Investment Advisor, Form ADV, in which he stated
5 that:

6 (1) BBRD&W does "not recommend to (investment
7 advisory) clients or prospective clients, the purchase or sale of
8 securities in which the applicant [BBRD&W], directly or indirectly,
9 has a position or interest"; when in truth and in fact, as the
10 defendant RONALD REWALD well knew, BBRD&W recommended to virtually
11 all clients and prospective clients the purchase of securities in
12 which BBRD&W had a direct position and interest, to wit: the
13 BBRD&W Investment Savings Account;

14 (2) "All clients are charged at the rate of
15 \$180 per hour and no percentages, commissions or royalties are ever
16 taken by [BBRD&W]"; when in truth and in fact, as the defendant
17 RONALD REWALD well knew, BBRD&W and the defendant RONALD REWALD
18 paid commissions to employees and "consultants" and used clients'
19 investment monies to pay all business expenses as well as to
20 support the defendant RONALD REWALD's lavish lifestyle;

21 (3) "[BBRD&W's] principal business is serving
22 as estate planners and business advisors;" when in truth and in
23 fact, as the defendant RONALD REWALD well knew, the principal
24 business of BBRD&W was recommending and advising investors and
25 potential investors that they purchase an interest in BBRD&W's
26 Investment Savings Account to the exclusion of other securities;

1 (4) BBRD&W does not sell securities to any of
2 its investment advisory clients, when in truth and in fact, as the
3 defendant RONALD REWALD well knew, BBRD&W sold securities to
4 virtually all of its clients, to wit: the BBRD&W investment
5 savings account;

6 (5) "All unamended [previously submitted]
7 Items and Schedules remain true, correct and complete as required",
8 which included the statement made in the September 23, 1976 Form
9 ADV in which it was stated that the defendant RONALD REWALD
10 graduated from Marquette University in 1966; when in truth and in
11 fact, as the defendant RONALD REWALD well knew, he never attended
12 on a full-time basis, graduated or received a degree from Marquette
13 University; and

14 b. Did conceal and cover up and caused to be
15 concealed and covered up by trick, scheme and device a material
16 fact by submitting and causing to be submitted to the SEC an
17 Amended Application as an Investment Advisor, Form ADV, in which he
18 omitted to state that the defendant RONALD REWALD, had, in 1976,
19 been convicted of theft in Milwaukee, Wisconsin, in connection with
20 fraudulent business practices.

21 (All in violation of Title 18, United States Code,
22 Sections 1001 and 2).

23 COUNT 85

24 THE GRAND JURY FURTHER CHARGES:

25 1. The Grand Jury realleges and incorporates Paragraph
26 1 of Count 84 of this Indictment as though the same was fully set
forth herein:

1 2. On June 1, 1983 an attorney for the SEC informed the
2 defendant RONALD REWALD by letter that the SEC had received
3 information that BBRD&W may be engaged in the offer and sale of
4 securities through the BBRD&W investment savings account and unless
5 some exemption from registration was being relied upon, BBRD&W
6 might be in violation of federal securities laws. Additionally,
7 the SEC requested that the defendant RONALD REWALD provide it with
8 certain information and documents.

9 3. On or about June 7, 1983, in the District of Hawaii,
10 in a matter within the jurisdiction of an agency of the United
11 States, to wit: the SEC, the defendant RONALD REWALD knowingly and
12 willfully did make a false, fictitious and fraudulent statement and
13 representation as to a material fact by submitting or causing to be
14 submitted to the SEC a letter in which he stated or caused to be
15 stated that:

16 (a) The investment savings account was a "holding
17 mechanism used [by BBRD&W] for funds awaiting investment direction
18 from [BBRD&W] clients;" when in truth and in fact, as the defendant
19 RONALD REWALD well knew, the investment savings account and funds
20 deposited therein by investors were directed and used solely by
21 BBRD&W and that BBRD&W clients had exercised no control over the
22 investment savings account.

23 (b) "Steps had been taken to terminate any further
24 use of [the investment savings account]," when in truth and in
25 fact, as the defendant RONALD REWALD well knew, BBRD&W would and
26 did continue to solicit and accept investor monies into the
investment savings account after June 1, 1983.

1 (c) The investment savings accounts "have never
2 represented any type of income or profit for [BBRD&W]", when in
3 truth and in fact, as the defendant RONALD REWALD well knew, this
4 account represented virtually all of BBRD&W's income, and that
5 BBRD&W had no profit.

6 (d) It was never the intention of BBRD&W to attract
7 clients to the firm through the use of the Investment Savings
8 Accounts; when in truth and in fact, as the defendant RONALD REWALD
9 well knew, the investment savings account represented the sole
10 means of attracting clients to BBRD&W.

11 (All in violation of Title 18, United States Code,
12 Sections 1001 and 2).

13 COUNT 86

14 THE GRAND JURY FURTHER CHARGES:

15 1. That on or about November 16, 1982, the Internal
16 Revenue Service (IRS) was conducting an investigation concerning
17 possible criminal violations by the defendant RONALD REWALD of
18 Internal Revenue laws and related offenses. In connection with
19 that investigation, Special Agent Joseph A. Camplone of the
20 Criminal Investigation Division (CID) of the IRS, conducted an
21 interview of the defendant RONALD REWALD in order to accurately
22 determine, among other things, what assets and property was owned
23 by the defendant RONALD REWALD and his wife.

24 2. On or about November 16, 1982, in the District of
25 Hawaii, in a matter within the jurisdiction of an agency of the
26 United States, to wit: the IRS, the defendant RONALD REWALD
knowingly and willfully did make a false, fictitious and fraudu!

1 statement and representation as to a material fact, by stating to
 2 Special Agent Joseph A. Camplone of the IRS that the automobiles in
 3 his possession were on consignment to him from the owners, when in
 4 truth and in fact, as defendant RONALD REWALD well knew, he and his
 5 wife had purchased and/or personally owned all of the automobiles
 6 in their possession at that time.

7 (All in violation of Title 18, United States Code,
 8 Sections 1001 and 2).

9 COUNTS 87 THROUGH 92

10 THE GRAND JURY FURTHER CHARGES:

11 On or about the dates shown below, in the District of
 12 Hawaii, the defendant RONALD REWALD knowingly did falsely advertise
 13 and represent that BBRD&W deposit liabilities and obligations were
 14 insured by the "Federal Deposit Insurance Corporation" or that its
 15 deposits and accounts were "federally insured", to the following
 16 BBRD&W investors:

| 17 | <u>COUNT</u> | <u>BBRD&W INVESTOR</u> | <u>DATE</u> |
|----|--------------|----------------------------|-------------------|
| 18 | 87 | Lynn Viveiros | December, 1982 |
| 19 | 88 | Edgar Kudlich | January 26, 1983 |
| 20 | 89 | Hugh F. Fraser | February 16, 1983 |
| 21 | 90 | Russell Robertson | March, 1983 |
| 22 | 91 | Nanette Jacinto | June 20, 1983 |
| 23 | 92 | Lawrence T. Eustace | June, 1983 |

24
 25 (All in violation of Title 18 United States Code Sections
 26 709 and 2.)

COUNT 93

THE GRAND JURY FURTHER CHARGES:

A. At times material to Counts 93 to 96 of this Indictment:

1. Bishop, Baldwin, Rewald, Dillingham and Wong, Inc. (BBRD&W) was incorporated in Hawaii on October 11, 1978.

2. The defendant RONALD REWALD was the co-founder of BBRD&W, owned 50 percent of its stock, and was Director and Chairman of the Board of Directors, Vice-President and Treasurer of BBRD&W.

3. By July 1983 BBRD&W and the defendant RONALD REWALD had obtained approximately twenty-two million dollars (\$22,000,000) from approximately 400 persons who entrusted their money to REWALD and BBRD&W so that it could be invested.

4. On or about August 4, 1983, five investors in BBRD&W filed a petition in the United States District Court for the District of Hawaii asking the Court to declare BBRD&W bankrupt. This case is styled, In The Matter Of BBRD&W, Docket No. 83-00381 (hereafter referred to as 00381).

5. On or about August 5, 1983, the Bankruptcy Trustee appointed by the District Court filed a complaint against the defendant RONALD REWALD, his wife Nancy Imp Rewald and others, charging that the Rewalds had misappropriated BBRD&W's corporate funds for their own use and benefit and for a court order placing all of REWALD's assets into a constructive trust for the benefit of BBRD&W. On or about August 5, 1983, the District Court entered a Temporary Restraining Order prohibiting the REWALDs from dissi-

1 pating their assets. This case is styled Hayes v. Ronald Rewald,
2 Nancy Rewald, et al., Docket No. 83-0181 (hereafter Hayes v.
3 Rewald).

4 6. The Securities and Exchange Commission (SEC) is
5 an independent, quasi-judicial agency of the United States of
6 America which seeks to provide protection for investors and the
7 public in their securities transactions.

8 7. On or about August 8, 1983, the SEC filed a
9 complaint in the United States District Court for the District of
10 Hawaii seeking an injunction against the defendant RONALD REWALD
11 and BBRD&W. The case is styled Securities and Exchange Commission
12 v. Bishop, Baldwin, Rewald, Dillingham and Wong and Ronald Rewald,
13 et al., Docket No. 83-0812 (hereafter SEC).

14 8. On or about August 11, 1983, the defendant
15 RONALD REWALD was indicted by a Grand Jury of the State of Hawaii
16 for two counts of Theft in the First Degree, commonly referred to
17 as "theft by deception," for taking the money of two BBRD&W
18 investors.

19 9. On or about August 16, 1983, the United States
20 District Court entered a Preliminary Injunction in the SEC case
21 against the defendant RONALD REWALD and BBRD&W in which the Court,
22 among other things, enjoined the defendant RONALD REWALD and
23 BBRD&W, in the offer or sale of securities, namely BBRD&W
24 Investment Savings Accounts, from employing any device, scheme or
25 artifice to defraud and from obtaining money or property by means
26 of any untrue statement of material fact or omitting to state

1 material facts; and enjoined the defendant RONALD REWALD from
2 dissipating his assets.

3 10. On or about August 16, 1983, the United States
4 District Court entered a Preliminary Injunction against the
5 defendant RONALD REWALD and his wife in Hayes v. Rewald in which
6 the Court, among other things enjoined the Rewalds from
7 dissipating, concealing, assigning, conveying, encumbering or
8 otherwise disposing of any of their assets.

9 11. On or about September 2, 1983, the investors in
10 00381 filed a Motion for Summary Judgment adjudicating BBRD&W
11 bankrupt. The motion was granted on or about October 14, 1983.

12 12. On or about September 16, 1983, the defendant
13 RONALD REWALD filed, among other things, a "Confidential Affidavit
14 of Ronald Ray Rewald" (hereafter Confidential Affidavit or
15 affidavit) in 00381; and then filed the same Confidential Affidavit
16 in cases Hayes v. Rewald and SEC. Among other things, the
17 Confidential Affidavit was filed in support of defendant REWALD's:

18 a. notice of intent to use classified
19 information;

20 b. motion for discovery of classified
21 information; and for additional time in which to engage in
22 discovery;

23 c. motion for an order lifting the freeze on
24 his assets (only in 0181 and the SEC case); and

25 d. opposition to the various motions for
26 summary judgment;

1 13. On or about June 19, 1984, the Trustee filed a
2 motion for summary judgment and imposition of a constructive trust
3 in Hayes v. Rewald.

4 14. On or about July 20, 1984, the defendant RONALD
5 REWALD removed his State of Hawaii indictment to Federal Court
6 pursuant to a federal law providing for the removal of state
7 criminal cases to Federal Courts where the indicted person claims
8 he was an officer of the United States of America and that the acts
9 charged in the state indictment were done under color of such
10 office (hereafter referred to as Removal Petition).

11 15. In support of his Removal Petition the
12 defendant RONALD REWALD filed a "Declaration of Ronald R. Rewald In
13 Support of Petition" and incorporated therein the Confidential
14 Affidavit. The Confidential Affidavit referred to the Central
15 Intelligence Agency (CIA).

16 16. The CIA is an agency of the United States of
17 America. In part, its responsibilities include the collection,
18 production and dissemination of foreign intelligence.

19 B. 1. In Bankruptcy case 00381, the United States
20 District Court for the District of Hawaii had to consider certain
21 matters in ruling on:

22 a. the investors motion to find BBRD&W
23 bankrupt because it was not regularly paying its bills;

24 b. defendant RONALD REWALD's response thereto
25 that he was not bankrupt because BBRD&W was operating at the
26 direction of the CIA and subsidized by the CIA and therefore the
Federal Government was responsible for paying the bills of BBRD&W.

1 and that he needed additional discovery to prove his contentions.
2 See F.R.Civ.P. 56(e) and 56(f);

3 c. defendant RONALD REWALD's notice of intent
4 to use classified information;

5 d. defendant RONALD REWALD's motion for
6 discovery of classified information;

7 2. It was material for the District Court to
8 consider and determine, among other things, whether the defendant
9 RONALD REWALD was operating the financial affairs of BBRD&W at the
10 direction of the CIA; whether the CIA subsidized BBRD&W; and
11 whether the defendant RONALD REWALD should be granted additional
12 time for discovery.

13 C. 1. On or about September 14, 1983, in the District
14 of Hawaii, the defendant RONALD REWALD, having duly taken an oath
15 before a competent tribunal, officer and person, to wit: a notary
16 public of the State of Hawaii, in a case in which a law of the
17 United States authorizes an oath to be administered, that he would
18 testify, declare, depose and certify truly, and that any written
19 testimony, declaration, deposition and certificate subscribed by
20 him is true, did willfully, knowingly and contrary to such oath
21 state and subscribe to material matter which he did not believe to
22 be true, to wit: did declare in a "Confidential Affidavit" in a
23 case being heard in the United States District Court for the
24 District of Hawaii, entitled, In Re Bishop, Baldwin, Rewald,
25 Dillingham and Wong, Docket No. 00381, as follows:

26 a. Toward the end of 1978, Welch
suggested that Sunny Wong and I establish a
second firm which would specialize in the Far
East and in doing so use names as part of the

1 firm name which were synonymous with Hawaii.
2 Sunny and I considered some names at the
3 direction of the station chief such as Castle,
4 Cooke, Cassidy, and etc.; and finally we came
5 up with a combination called Bishop, Baldwin,
6 Rewald, Dillingham and Wong.

7 * * * *

8 b. In further discussions with Welch
9 concerning the Bishop Baldwin cover, we were
10 told (myself, Sunny Wong, and Sue Wilson), that
11 we should put it forth that Bishop Baldwin had
12 a lengthy history, that it had existed since
13 territorial days, that it was capitalized at
14 \$300,000, and that our gross sales were over
15 \$1,000,000.

16 * * * *

17 c. ...Welch said that I would therefore
18 be given "fake" degrees from Marquette
19 University in both business administration and
20 in law, and that I could use either or both if
21 I felt that, particularly as to the law degree,
22 I could carry it off. Subsequently, I received
23 from the CIA printing office in Washington the
24 two parchment degrees.

25 2. The aforesaid affidavit of the defendant RONALD
26 REWALD, as he then and there well knew and believed, was false in
that:

a. Eugene Welch, Chief of the CIA's Domestic
Collection Division's Honolulu office, did not suggest or tell the
defendant RONALD REWALD and Sunny Wong to set up BBRD&W;

b. Welch did not tell the defendant REWALD, Sunny
Wong or Sue Wilson to say that BBRD&W:

- (1) had a lengthy history;
- (2) had existed since territorial days;
- (3) had been capitalized at \$300,000; and
- (4) had gross sales of over \$1,000,000;

1 c. Welch did not say that the defendant RONALD
2 REWALD would be given fake law and business administration degrees
3 from Marquette University;

4 d. The CIA did not give any Marquette degrees to the
5 defendant RONALD REWALD.

6 (In violation of Title 18, United States Code, Section
7 1621.)

8 COUNT 94

9 THE GRAND JURY FURTHER CHARGES:

10 A. The Grand Jury realleges and incorporates by refer-
11 ence Paragraphs A1-A5, A-10-A-13, A16, of Count 93 of this
12 Indictment as though the same were fully set forth herein.

13 B. 1. In the Bankruptcy case 0181, the United States
14 District Court for the District of Hawaii had to consider certain
15 matters in ruling on:

16 a. defendant RONALD REWALD's September 16, 1983,
17 notice of intent to use classified information;

18 b. defendant RONALD REWALD's September 16, 1983,
19 motion for discovery of classified information;

20 c. defendant Ronald Rewald's September 16, 1983,
21 motion to lift the freeze on his assets;

22 d. the Bankruptcy Trustee's June 19, 1984,
23 motion for summary judgment imposing a constructive trust; and

24 e. defendant RONALD REWALD's Memorandum In
25 Opposition To The Trustee's Motion For Summary Judgment (July 24,
26 1984) in which he stated, among other things, that he needed
additional time and discovery to prove his claims of CIA

1 involvement (citing F.R.Civ.P. 56(f)), that is, BBRD&W was
2 subsidized and directed by the CIA and therefore, the Federal
3 Government was responsible for paying the bills of BBRD&W and that
4 a constructive trust should not be imposed.

5 2. It was material for the District Court to
6 consider and determine, among other things, whether the defendant
7 RONALD REWALD was operating the financial affairs of BBRD&W at the
8 direction of the CIA; whether the CIA subsidized BBRD&W; and
9 whether the defendant REWALD should be granted a continuance and
10 additional discovery to be able to respond to the various matters
11 before the court and to prove his CIA contentions.

12 C. 1. On or about September 14, 1983, in the District
13 of Hawaii, the defendant RONALD REWALD, having duly taken an oath
14 before a competent tribunal, officer and person, to wit: a notary
15 public of the State of Hawaii, in a case in which a law of the
16 United States authorizes an oath to be administered, that he would
17 testify, declare, depose and certify truly, and that any written
18 testimony, declaration, deposition and certificate subscribed by
19 him is true, did willfully, knowingly and contrary to such oath
20 state and subscribe to material matter which he did not believe to
21 be true, to wit: did declare in a "Confidential Affidavit" in a
22 case being heard in the United States District Court for the
23 District of Hawaii, entitled, Hayes v. Ronald Rewald, Nancy Rewald,
24 Docket No. 0181, as set forth in Count 93, Paragraphs C(1) (a-c)
25 which are realleged and incorporated by reference as though the
26 same were set forth herein.

1 2. The aforesaid affidavit of the defendant RONALD
2 REWALD, as he then and there well knew and believed, was false in
3 that:

4 a. Eugene Welch, Chief of the CIA's Domestic
5 Collection Division's Honolulu office, did not suggest or tell the
6 defendant RONALD REWALD and Sunny Wong to set up BBRD&W;

7 b. Welch did not tell the defendant RONALD
8 REWALD, Sunny Wong or Sue Wilson to say that BBRD&W:

9 (1) had a lengthy history;

10 (2) had existed since territorial days;

11 (3) had been capitalized at \$300,000; and

12 (4) had gross sales of over \$1,000,000;

13 c. Welch did not say that the defendant RONALD
14 REWALD would be given fake law and business administration degrees
15 from Marquette University;

16 d. The CIA did not give any Marquette degrees to
17 the defendant RONALD REWALD.

18 (In violation of Title 18, United States Code,
19 Section 1621.)

20 COUNT 95

21 THE GRAND JURY FURTHER CHARGES:

22 A. The Grand Jury realleges and incorporates by refer-
23 ence Paragraphs A1-A3, A6-A7, A-9, A-12, A-16 of Count 93 of this
24 Indictment as though the same were fully set forth herein.

25 B. 1. In the SEC case, 83-0812, the United States
26 District Court for the District of Hawaii had to consider certain
matters in ruling on:

1 a. defendant RONALD REWALD's contention that he
2 was acting at the direction of the CIA in respect to directing the
3 activities of BBRD&W and therefore, did not have the intent to
4 defraud BBRD&W's investors when the defendant RONALD REWALD made
5 and caused to be made the misrepresentations and omissions of
6 material facts set forth the SEC's complaint for injunction;

7 b. defendant RONALD REWALD's notice of intent to
8 use classified information;

9 c. defendant RONALD REWALD's motion for
10 discovery of classified information; and

11 d. defendant RONALD REWALD's motion to lift the
12 freeze on his assets.

13 2. It was material for the District Court to
14 consider and determine, among other things, whether the defendant
15 RONALD REWALD was directing the activities of BBRD&W as set forth
16 in Paragraph B1(a) above at the direction of the CIA; and whether
17 the defendant RONALD REWALD should be granted discovery of
18 classified information to prove his CIA contentions.

19 C. 1. On or about September 14, 1983, in the District
20 of Hawaii, the defendant RONALD REWALD, having duly taken an oath
21 before a competent tribunal, officer and person, to wit: a notary
22 public of the State of Hawaii, in a case in which a law of the
23 United States authorizes an oath to be administered, that he would
24 testify, declare, depose and certify truly, and that any written
25 testimony, declaration, deposition and certificate subscribed by
26 him is true, did willfully, knowingly and contrary to such oath
state and subscribe to material matter which he did not believe +

1 be true, to wit: did declare in a "Confidential Affidavit" in a
2 case being heard in the United States District Court for the
3 District of Hawaii, entitled, Securities and Exchange Commission v.
4 BBRD&W and Ronald Rewald, Docket No. 83-0812, as set forth in Count
5 93, Paragraphs C(1)(a-c) which are realleged and incorporated by
6 reference as though the same were set forth herein.

7 2. The aforesaid affidavit of the defendant RONALD
8 REWALD, as he then and there well knew and believed, was false in
9 that:

10 a. Eugene Welch, Chief of the CIA's Domestic
11 Collection Division's Honolulu office, did not suggest or tell the
12 defendant RONALD REWALD and Sunny Wong to set up BBRD&W;

13 b. Welch did not tell the defendant RONALD
14 REWALD, Sunny Wong or Sue Wilson to say that BBRD&W:

15 (1) had a lengthy history;

16 (2) had existed since "territorial days;"

17 (3) had been capitalized at \$300,000; and

18 (4) had gross sales of over \$1,000,000;

19 c. Welch did not say that the defendant RONALD
20 REWALD would be given fake law and business administration degrees
21 from Marquette University;

22 d. The CIA did not give any Marquette degrees to
23 the defendant RONALD REWALD.

24 (In violation of Title 18, United States Code,
25 Section 1621.)
26

COUNT 96

THE GRAND JURY FURTHER CHARGES:

1
2 A. 1. The Grand Jury realleges and incorporates by
3 reference Paragraphs A1-A3, A8, A14-A16 of Count 93 of this
4 Indictment as though the same were fully set forth herein.

5 2. The United States filed a motion to remand the
6 defendant RONALD REWALD's State Indictment back to the courts of
7 the State of Hawaii for trial.

8 B. 1. In the Removal Case, Misc. No. 84-0125, the
9 United States District Court for Hawaii had to consider among other
10 matters, whether the defendant RONALD REWALD was acting, at times
11 relevant to his State Indictment, at the direction of the CIA in
12 respect to directing the activities of BBRD&W and therefore was
13 entitled to have the State of Hawaii theft by deception charges
14 tried in Federal Court.

15 2. In support of his contention the defendant RONALD
16 REWALD filed a "Declaration of Ronald Rewald In Support of [the]
17 Petition [for Removal]" and incorporated the Confidential
18 Affidavit.

19 3. It was material for the District Court to
20 consider and determine, among other things, whether the defendant
21 RONALD REWALD was acting at the direction of the CIA in respect to
22 directing the activities of BBRD&W at times relevant to his State
23 of Hawaii Indictment.

24 4. The defendant RONALD REWALD signed the
25 Declaration after stating:

26 "I declare under penalty of perjury
as provided under 28 U.S.C. 1746
that all statements made in the fore-
going Declaration are true and correct
to the best of my knowledge and belief."

1 C. 1. On or about July 20, 1984, in the District of
2 Hawaii, the defendant RONALD REWALD in a declaration, certificate,
3 verification and statement made under penalty of perjury as
4 permitted under 28 U.S.C. §1746 that any written testimony,
5 declaration, deposition and certificate subscribed by him is true,
6 willfully and knowingly subscribed to material matter which he did
7 not believe to be true, to wit: did make a declaration in a case
8 being heard in the United States District Court for the District of
9 Hawaii entitled, Rewald v. State of Hawaii, Petition for Removal,
10 Misc. No. 84-0125 as follows:

11 The CIA directed [REWALD] to create BBRDW...

12 * * * *

13 [REWALD] at no time had the intent to deprive
14 anyone of any money because he was acting under
15 the direction and color of office of the CIA
16 which was to supply more than enough money and
17 information to cover all investments as adver-
18 tised. All representations made by [REWALD]
and BBRDW, including representations relating
to FDIC insurance, were made at the direction
of or with the knowledge, acquiescence, and
consent of the CIA. The CIA supplied [REWALD]
with college and law degrees.

19 * * * *

20 The CIA directed [REWALD] to advertise that
21 BBRDW had historically supplied investors with
22 a 26% return on investment in order to show a
23 higher potential return than the 21% being
24 reaped by Hong Kong investors at that time.
25 The CIA supplied money to BBRDW which permitted
26 BBRDW to give investors such a high return.

1 2. The aforesaid Declaration of the defendant RONALD
2 REWALD, as he then and there well knew and believed was false in
3 that:

4 a. The CIA did not direct the defendant RONALD
5 REWALD to create BBRD&W;

6 b. The CIA was never to and never did supply
7 defendant RONALD REWALD with information and money to run BBRD&W or
8 guarantee the investments the defendant RONALD REWALD solicited;

9 c. No representation made to any investor by the
10 defendant RONALD REWALD or BBRD&W, including representations
11 relating to FDIC insurance, were made at the direction of, or with
12 the knowledge, acquiescence and consent of the CIA;

13 d. The CIA did not direct the defendant RONALD
14 REWALD to advertise that BBRD&W had historically supplied investors
15 with a 26% return on investment;

16 e. The CIA never supplied money to the defendant
17 RONALD REWALD or BBRD&W other than approximately \$3,000 to
18 reimburse the defendant RONALD REWALD for business expenses such as
19 the rental of a telephone and a telex machine and the printing of
20 business cards;

21 f. The CIA did not supply the defendant RONALD
22 REWALD with college or law degrees;

23 g. At all times the defendant RONALD REWALD intended
24 to deprive investors of their money; and was not acting at the
25 direction of the CIA when he made misrepresentations and omissions
26 of material facts in his dealings with investors and taking their
money.

1 (All in violation of Title 18, United States Code,
2 Section 1621(2).)

3 COUNT 97

4 THE GRAND JURY FURTHER CHARGES:

5 That on or about April 15, 1980, in the District of
6 Hawaii, the defendant RONALD REWALD, a resident of Hawaii, who
7 during the calendar year 1979 was married, did willfully and
8 knowingly attempt to evade and defeat a large part of the income
9 tax due and owing by him and his wife to the United States of
10 America for the calendar year 1979, by preparing and causing to be
11 prepared, by signing and causing to be signed, and by mailing and
12 causing to be mailed, in the District of Hawaii, a false and
13 fraudulent income tax return on behalf of himself and his said
14 wife, which was filed with the Internal Revenue Service, wherein it
15 was stated that their taxable income for said calendar year was the
16 sum of \$0.00 and that the amount of tax due and owing thereon was
17 the sum of \$0.00, whereas, as he then and there well knew, their
18 joint taxable income for the said calendar year was the sum of
19 \$111,790.82, upon which said taxable income there was owing to the
20 United States of America an income tax of \$21,536.80.

21 (All in violation of Section 7201, Internal Revenue Code;
22 Title 26, United States Code, Section 7201.)

23 COUNT 98

24 THE GRAND JURY FURTHER CHARGES:

25 That on or about April 15, 1981, in the District of
26 Hawaii, the defendant RONALD REWALD, a resident of Hawaii, who
during the calendar year 1980 was married, did willfully and

1 knowingly attempt to evade and defeat a large part of the income
2 tax due and owing by him and his wife to the United States of
3 America for the calendar year 1980, by preparing and causing to be
4 prepared, by signing and causing to be signed, and by mailing and
5 causing to be mailed, in the District of Hawaii, a false and
6 fraudulent income tax return on behalf of himself and his said
7 wife, which was filed with the Internal Revenue Service, wherein it
8 was stated that their taxable income for said calendar year was the
9 sum of \$0.00, and that the amount of tax due and owing thereon was
10 the sum of \$0.00, whereas, as he then and there well knew, their
11 joint taxable income for the said calendar year was the sum of
12 \$414,160.85, upon which said taxable income there was owing to the
13 United States of America an income tax of \$209,407.98.

14 (All in violation of Section 7201, Internal Revenue Code;
15 Title 26, United States Code, Section 7201.)

16 COUNT 99

17 THE GRAND JURY FURTHER CHARGES:

18 That during the calendar year 1981, the defendant RONALD
19 REWALD, a resident of Hawaii, had and received a taxable income of
20 about \$621,112.20; that upon said taxable income he owed to the
21 United States of America income tax of \$401,107.01; that he was
22 required by law on or before April 15, 1982, to make an income tax
23 return to the Internal Revenue Service, and to pay such income tax;
24 that well knowing the foregoing facts, the said RONALD REWALD on or
25 about April 15, 1982, in the District of Hawaii did willfully and
26 knowingly attempt to evade and defeat the said income tax due and
owing by RONALD REWALD to the United States of America for said

1 calendar year by failing to make such income tax return to the said
2 Internal Revenue Service, and by failing to pay to said Internal
3 Revenue Service, said income tax and by:

4 (a) Making false statements to the Internal Revenue
5 Service;

6 (b) Causing and attempting to cause the concealment of
7 files and records of BBRD&W; and

8 (c) Causing and attempting to cause false entries to be
9 made on checks and other records of BBRD&W.

10 (All in violation of Section 7201, Internal Revenue Code;
11 Title 26, United States Code, Section 7201.)

12 COUNT 100

13 THE GRAND JURY FURTHER CHARGES:

14 That on or about April 13, 1983, in the District of
15 Hawaii, the defendant RONALD REWALD, a resident of Hawaii, did
16 willfully and knowingly make and subscribe an Application for
17 Automatic Extension of Time to File U. S. Individual Income Tax
18 Return, Form 4868, for the calendar year 1982, which was verified
19 by a written declaration that it was made under the penalties of
20 perjury and was filed with the Internal Revenue Service, which said
21 Application for Automatic Extension he did not believe to be true
22 and correct as to every material matter in that the said
23 Application for Automatic Extension reported a total income tax
24 liability for 1982 of \$37,479.00, whereas he then and there

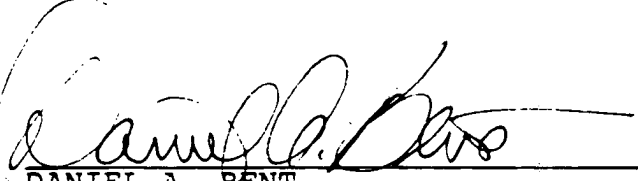
1 well knew and believed, his total income tax liability for 1982 was
2 substantially in excess of \$37,479.00.


3 (All in violation of Section 7206(1), Internal Revenue
4 Code; Title 26, United States Code, Section 7206(1).)

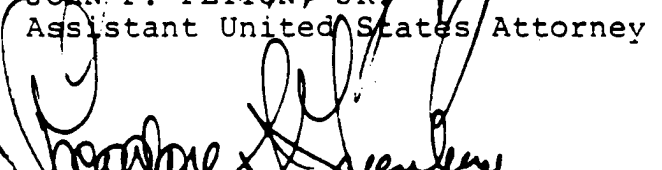
5 DATED: Honolulu, Hawaii, August 30, 1984.

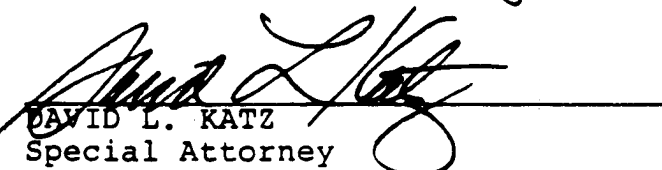
6 A TRUE BILL


7
8 Mary Helen Wong
9 FOREPERSON, GRAND JURY

10 
11 DANIEL A. BENT
12 United States Attorney
13 District of Hawaii

14 
15 JOHN F. PEYTON, JR.
16 Assistant United States Attorney

17 
18 THEODORE S. GREENBERG
19 Special Assistant
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